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STATE FOR EUR/CE ASCHEIBE
STATE PLEASE PASS TO OPIC BBRERETON

SIPDIS

E.O. 12958: N/A
TAGS: [ECON](#) [ENRG](#) [EFIN](#) [EINV](#) [RO](#)
SUBJECT: ROMANIA: OPIC FINANCE AND RENEWABLE ENERGY INVESTMENT

REF: STATE 95170

¶1. In response to reftel request for comments on a proposed OPIC loan to USRG Emerging Market Fund, post believes that Romania offers good opportunities for investment in renewable energy development. Although Europe is not the regional focus of the proposed fund, Romania's significant renewable energy potential, especially in wind energy, makes it a potentially strong candidate for investment from external sources. The global economic crisis has limited available funding for energy projects, including from the Romanian Government. State control of major energy producers and inadequate investment in the state-owned electrical grid are major limiting factors. There is a particular need for investments in modernizing Romania's electrical grid in order to accommodate new renewable generation capacity.

¶2. The availability of commercial bank credit in Romania remains limited. However, some of the financing gap has been filled by institutions such as the European Bank for Reconstruction and Development (EBRD) and European Investment Bank (EIB), both of which have an established presence in Romania and a mandate to pursue renewable energy development. USRG may find itself competing, in some instances, with both of these entities if it chooses to pursue projects in Romania. EBRD recently granted a 170 million euro loan to modernize a coal-fired power plant, while the EIB has underwritten the construction of a new natural gas generation facility. The EBRD has also been supportive of hydropower projects.

¶3. Growth in Romania's renewable energy sector is driven both by energy security concerns and EU-imposed renewable energy targets. Romania aims for renewable energy to account for 33 percent of total consumption in 2010, 35 percent in 2015, and 38 percent in 2020. Romania is largely able to meet these targets through hydropower generation, which accounts for almost 30 percent of installed capacity. Wind energy currently totals 13 MW, meeting 0.06 percent of demand, while biomass meets another 0.06 percent of demand. Wind generation should expand exponentially when CEZ completes construction of what will become Europe's largest onshore wind farm, a 600 MW facility in Dobrogea (southeastern Romania).

¶4. Romania uses a quota system with tradable green certificates (TGC) to support renewable energy. It does not have feed-in tariffs. TGCs are issued to electricity producers using wind, solar, biomass, and hydropower generated in plants with less than 10 MW of capacity. They are traded on the green certificates market and fetch up to 55 euro per certificate. Romania also has a 260 million euro state aid scheme that targets renewable energy projects. The maximum amount per individual project under this scheme is EUR 50 million.

¶5. Post has no objection to OPIC's proposed loan to USRG, especially if funds could be used to support both infrastructure development and new generation capacity.

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